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FUEL SITUATION IN THE MIDDLE WEST

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Mr. Clark of Missouri (for himself and Mr. Reed), from the Special Committee to Investigate the Fuel Situation in the Middle West, submitted the following

REPORT

[Pursuant to S. Res. 319, 77th Cong., extended by S. Res. 61, 78th Cong.]

This committee was created under the authority of Senate Resolution 319 of the Seventy-seventh Congress. The life of the committee was extended to run through the Seventy-eighth Congress by Senate Resolution 61. The purpose of investigation authorized and directed was fully described in the resolution itself and the report of the Senate Committee on Interstate Commerce, to which it was referred.

The investigation was deemed necessary because of the great degree of confusion and agitation among citizens of the Midwest, especially Missouri, Kansas, Nebraska, and Oklahoma, because of threatened shortages of fuel appearing in the latter part of 1942. Some months before this committee was created, a committee of municipal governments, headed by Mayor John B. Gage of Kansas City, Mo., cooperating with the Chamber of Commerce of Kansas City, carried on an extensive investigation in the fuel situation. Their work was very thorough and very careful and indicated a serious shortage of fuel in this territory. The threatened shortage in fuels was principally natural gas and fuel oil. Reduced to its equivalent in coal, it amounted to more than 1,000,000 tons of that fuel.

The committee immediately began its work and held hearings at Washington on January 7, 8, February 16, 18, 19, and July 13; at Kansas City, Mo., on January 18, 19, 20, 21, April 15, 16, August 3, 4, 5, and September 14; and at Oklahoma City on January 22 and 23. In these various hearings 165 witnesses appeared representing governmental agencies; producers of petroleum, natural gas, and coal; representatives of trade organizations of such fuels; State officers, including Governors and members of regulatory commissions; municipal officers and a host of consumers. Altogether, up to this time, 3,134 pages of testimony have been taken.

This is a partial or interim report. We will not undertake to cover all of the complaints expressed to the committee nor deal with all of the testimony offered.

For the second successive year a fuel shortage appears on the horizon of people living in Missouri, Kansas, Nebraska, and Oklahoma. The center of this area is Kansas City, Mo. That city in which the threat was most acute in December 1942 and January 1943 again is faced with a possible shortage of essential fuel to make its homes livable and to maintain operation of its industries, including many very important war industries, during the coming winter season. While the situation in Kansas City, Mo., is stressed because of the size and importance of that city, it is not to be understood that the danger of a fuel shortage is confined to that community. Wichita, Kans., and other important cities in that area are similarly affected and similarly concerned.

In making this report, we have broken discussions of the situation into various sections, each section dealing with a separate fuel or a separate phase of the subject. Out of our contacts with all classes of people, including both producers and consumers, citizens of that area, and with State and municipal officials, we feel justified in reaching the conclusions and making the recommendations discussed in the various sections of this report under suitable headings.

Natural Gas

The critical situation with regard to the supply of available fuel in the Kansas City and Wichita areas, which developed in the winter of 1942–43, and which threatens to continue through the coming winter of 1943–44, rests primarily upon a deficiency in the supply of natural gas. This arises principally from two factors:

First. The development of a very large demand for this fuel both for household and house-heating purposes and for industrial use.

Second. Complete exhaustion of the early gas fields supplying this territory and the continuing depletion of fields farther removed from the consuming areas.

There are a number of public utility companies distributing natural gas throughout the Midwest territory. The largest of these is the Cities Service Co., which through various subsidiaries, supplies some 370,000 customers. For that reason this report will deal primarily with the Cities Service situation of supply and demand, although it should be understood other public utility companies are involved to a more or less extent.

The gas fields which first supplied the demand built up in the cities along the Missouri River, including other sections of western Missouri and northeastern Kansas, were in southeastern Kansas. Discoveries of natural gas extended over into Oklahoma. As more and more gas fields were found, the market developed, the volume of gas transported became larger and larger. Some of these early fields in eastern Kansas and Oklahoma are entirely exhausted. In others the supply has declined from year to year. That has involved continued extension of the main pipe lines carrying natural gas from more distant fields into the concentrated market, known as the Kansas City area.

The last major addition to the supply of natural gas for this territory was the building of a 20-inch pipe line from the Texas Panhandle territory when the gas fields in that territory were discovered and developed. Without this addition to its supply the Kansas City area would have been short of gas these many years. This pipe line has been and is presently being operated at its full maximum capacity, which is approximately 125,000,000 cubic feet daily.

One of the more important gas-producing areas is known as the west Cement field in Oklahoma. From this field, for a short period in the first half of 1943, the Cities Service Co. took as much as 90,000,000 cubic feet per day. Because of conservation practices, the Oklahoma Corporation Commission, with the advice and approval of the Natural Gas Division of the Petroleum Administration for War, has limited deliveries from this field to the Cities Service Co. to an amount substantially lower than this figure. This created a more difficult situation in the supply of natural gas and makes it necessary to look to available alternative sources. In order to meet peak-day emergencies in the 1942–43 winter, connections were made with the Oklahoma Natural and the Consolidated Gas Utility Co. for the purpose of supplementing the amount of gas available in the Cities Service line. One difficulty with this arrangement is that peak days for the Cities Service Co. are also peak days for the Oklahoma Natural, and very little, if any, relief from that source can be had. It is estimated for the 1943–44 winter perhaps as much as 10,000,000 cubic feet per day can be obtained from the Consolidated Co. at or near Wichita. That amount of gas will help, but will not solve the problem.

In the work of this committee, it was early concluded that the policy which gave the best promise of increasing the fuel supply was the construction of an additional pipe line out of the Hugoton field, supplementing other sources of supply for the Kansas City and Wichita areas.

The so-called Hugoton field is principally in southwestern Kansas but extends over into Oklahoma and into the Panhandle of Texas. This field is the largest known natural gas reserve in the world. The amount of gas reserves are sometimes estimated as high as 30 trillion cubic feet. Through the first half of 1943 this committee consulted freely with the War Production Board and Natural Gas Division of the Petroleum Administration for War, as well as State and municipal authorities. Priorities for critical materials have been granted to an auxiliary of the Cities Service Co. to build a 26-inch pipe line from a point in the Hugoton field to Blackwell, Okla., where it connects with main pipe lines running north and south from Oklahoma to Wichita and then from Wichita to the northeast, connecting with other pipe lines coming from eastern Oklahoma and southeastern Kansas to the Kansas City area. These pipe lines furnish the principal supply of natural gas for Kansas City and St. Joseph, Mo., Topeka, Lawrence, Leavenworth, Ottawa, Kansas City, Kans., and other Kansas towns. A certificate of convenience and necessity for the construction of this line has been issued by the Federal Power Commission.

At Blackwell, Okla., there is an important compressing station for the present north and south lines. These lines have some unused capacity which can be utilized by gas coming through the proposed line from the Hugoton field. This is only a part of the proposed program. Later it is intended to extend this new line from Blackwell northeastward to Grabham station, which is just south of Independence, Kans. At Grabham station connections will be made with north and south lines which presently have a margin of unused capacity. Because of the scarcity of critical materials, it will not be possible to build this extension before 1944.

It should be understood that the main pipe lines carrying supplies of gas out of Oklahoma fields to the Wichita and Kansas City areas are, of course, north and south lines. Most of these lines now have a margin of unused capacity. The new line to be constructed from the Hugoton field to Blackwell, Okla., this year, and to be extended to Grabham station next year, will be an east and west line, crossing these north and south lines at a right angle, or nearly so.

This new line from the Hugoton field will deliver at Blackwell 165,000,000 cubic feet daily. This can be increased to 250,000,000 cubic feet daily by installation of additional compressor stations. Additional compressors are not available this year but will be available in 1944 and will be installed on this line with the result of increasing the capacity as stated above. We believe that the Cities Service Co. should immediately take the steps necessary to obtain additional compressors. Such equipment is mong the most critical of materials and requires time to secure priorities and more time to obtain delivery. The Cities Service interests should not delay initiating this necessary procedure. It was first hoped to have this line completed by December 31, 1943. That completion date was not possible because of the difficulty of obtaining critical materials. The delivery of these materials could not begin in volume until October of this year. Only a limited amount of these materials were delivered in September. It is now hoped to get the line from the Hugoton field to Blackwell, Okla., completed by January 31, 1944.

Even with the completion of this line, the supply of natural gas available for the market demands in the Kansas City and Wichita areas will not be sufficient to do more than supply these areas in average late fall, winter, and early spring temperatures. The peak demand days, when the thermometer falls below 15° or 20° above zero, will exceed the capacity of the pipe lines to deliver and other arrangements must be made by industrial consumers who will be cut off from gas supply on such days. The total market peak demand would run as high as 600,000,000 cubic feet daily if there was an unlimited supply of gas available. Such a supply is not available and the demand must, therefore, be held to what practicably can be delivered. House heating and cooking on cold winter days require about 120,000,000 cubic feet daily in the Kansas City area. The total minimum requirements of this area are about 460,000,000 cubic feet daily. With a supply coming from the new line through the Hugoton field, the maximum natural gas deliverability at Kansas City will be about this amount. This will include a varying amount of gas taken from nearby storage fields to which reference will be made later. It is estimated that 180,000 tons of coal and 800,000 barrels of fuel oil will be required for stand-by demands for various industries in the period up to January 31, 1944. The curtailment of gas to industrial consumers for the 1942–43 season was estimated by Cities Service witnesses to be 3,500,000,000 cubic feet. The estimate of curtailment this year, because of a deficiency in the gas supply, is estimated by the same authority at 10,000,000,000 cubic feet. The amount of stand-by fuel will be increased if there is any delay in completion of the new pipe line from the Hugoton field which would, of course, extend the period of necessity for these stand-by fuels.

Gas Storage Fields

In recent years natural gas companies have developed the feasibility of storing gas from distant fields in nearby fields from which the supply of natural gas has been taken to the point of exhaustion. The Cities Service interests have several of these storage fields at points like Welda, Colony, and Craig, Kans. These fields will store 28,000,000,000 cubic feet of gas. They are filled during the summer months when there is a low demand for natural gas. (These storage fields were filled to capacity by August this year.) They will then be drawn upon for additional gas needed on peak days during the cooler weather now coming on. The maximum gas that has been taken from these fields on any one day is 105,000,000 cubic feet. It is not possible, however, to draw on these fields at this rate for any successive number of days. There is a practical operating limitation on the amount of gas that can be taken out of these fields either upon any one day or for any particular period of time. The extent of the gas that is available to be taken during the coming season has been extensively discussed between this committee, the War Production Board, the gas interests, and the Natural Gas Division of the Petroleum Administration for War.

During the 1942–43 season about four or four and one-half billion cubic feet of gas was taken from the storage fields to supplement the supply coming direct from distant fields to the Kansas City area. The Cities Service engineers agree that for the 1943–44 season, 7,000,000,000 cubic feet may be taken. The committee believes that this is a too conservative estimate. The committee is of the opinion that 8,000,000,000 cubic feet should be available and possibly these nearby storage fields could be drawn on to the extent of 9,000,000,000 cubic feet during the coming winter. In this opinion the committee finds support from the gas experts of the Petroleum Administration for War. The question of sound operating practices is involved and this committee has no intention of insisting upon any unsound practices. We are not engineers or gas experts. We shall, however, give this subject our continued attention with the aid and counsel of experienced gas engineers to the end that the maximum supply of gas may be made available for this area. The difference between taking 7,000,000,000 cubic feet and 9,000,000,000 cubic feet from these storage fields might well mean the difference between a reasonably adequate and an insufficient gas supply for Kansas City and other cities involved.

The Coal Situation

The coal-mining territory in Missouri, Kansas, and all of Oklahoma, except three counties adjoining Fort Smith, Ark., comprise what is known as district No. 15. It is not a great coal-producing territory when compared with Illinois or Ohio, or the Appalachian coal territory; it does, however, produce coal in volume reasonably adequate for the needs of this territory. The marketing territory for coal produced in district 15 includes Nebraska, western Iowa, with shipment in more or less volume to South Dakota and Texas, in addition to the States included in the district itself. The coal produced in this territory is used principally for industrial purposes, although something more than one-third goes into domestic use.

The production of district 15 in 1939 was 6,850,000 tons; in 1942 district 15 produced 10,200,000 tons. The estimated production for 1943 is 11,267,000 tons. This estimated production for 1943 is the maximum possible with mines presently operating. Only the opening of new mines or the reopening of old mines now closed will give this territory more coal production. This phase will be discussed later.

In the initial stages of its work, the committee had much difficulty in reaching a dependable conclusion as to the amount of the different fuels available. It found much confusion among the various administrative agencies in Washington and in the field in handling the regulation and distribution of these fuels. From the testimony offered at the early hearing in January 1943, an almost total lack of coordination between agencies handling coal, fuel oil, and natural gas was developed. This lack of coordination was overcome to a great degree. Regional offices for the handling of these fuels were established in Kansas City with contact between the regional officials. This was a great improvement and in the course of time cleared away much of the confusion.

The original estimate of Mayor Gage's fuel committee was that this region would be short of fuel equivalent to 1,000,000 to 2,000,000 tons of coal. It should be understood that this shortage was not actually in coal. It was the accrued shortage of natural gas and fuel oil expressed in terms of coal. For regular coal consumers, the coal supply seems to have been currently adequate. Howard A. Gray, Deputy Solid Fuels Administrator, at the January 8 hearing in Washington, estimated a million ton shortage of coal for this territory, which would be supplied by shipping from Illinois or western Kentucky. This was largely concurred in at the hearing in Kansas City in January by the area coal producers.

At the second Kansas City hearing in April, the southwestern coal producers estimated they would have a margin of from 500,000 to 800,000 tons production above estimated requirements. Later, members of the committee were informed by a spokesman for the Solid Fuels Administration in Washington, that there was an "excess of 500,000 tons of coal production above coal requirements in the Missouri-Kansas-Nebraska area" and that "additional coal production was unnecessary, therefore the Solid Fuels Administration would not recommend to the War Production Board allowance of critical materials for that purpose."

This situation changed in the August and September hearings. By that time more dependable estimates of the availability of the different fuels had been made.

Here is the coal situation which this area is facing:

		Tons
Estimated production		11, 267, 000
Estimated requirements:		
Ordnance plants	620, 000	
Army quartermaster	828, 202	
Railroads	2, 123, 450	
Public utilities	2, 145, 728	
Miscellaneous	1, 290, 250	
Domestic	4, 250, 000	
Total requirements		11, 257, 000
Margin above requirements		10, 000

A margin of 10,000 tons of estimated coal production above estimated coal requirements, is, of course, no margin at all on a base of more than 11,000,000 tons.

It is only fair to the coal producers to say that these figures include coal required to cover the deficiency in gas and in fuel oil. There is no deficiency in coal production necessary to supply regular coal consumers. The coal-producing interests in the Missouri-Kansas-Oklahoma territory have done a magnificent job by increasing their production about 60 percent from 1939 to 1943. They are presently operating their mines at a high rate of efficiency. They are taking up the slack caused by the failure of natural gas and fuel-oil production and movement to markets to keep pace with the market requirements.

No reasonable person can expect coal operators to invest large sums of money in opening more mines to supply a demand that is only temporary; which has been expanded to overcome deficiencies in other fuels, and for which there will be no market after the emergency has passed.

As we have discussed elsewhere in this report, there is small prospect of increasing the supply of natural gas in the immediate future to meet current requirements. That is true also of petroleum and petroleum products. At the same time, additional fuel is required to protect the Missouri-Kansas-Nebraska-Oklahoma territory against possible fuel shortage this coming winter. The best and only prospect appears to be in an increased production of coal. The most feasible way to accomplish this purpose seems to be through reopening mines now closed and not producing. All parties agree that even if critical materials could be made available immediately for the purpose of opening new mines, which cannot be done, it would be impossible to get any new mine, whether strip mine or shaft mine, in operation in time for additional production to be available before the end of the coming winter. For immediate purposes, that method of increasing the coal supply is not considered practicable by the committee.

TRUCK MINES CLOSED

In the course of committee hearings it was developed that on December 15, 1940, 768 so-called truck mines were operated. On July 15, 1943, 257 mines of this character were reported as operating. Mines of this character numbering 511 were closed during a period of 2½ years. These are small mines, producing from a few hundred tons to some thousands of tons per year. The committee has been repeatedly told that the principal reason for the closing of this very large number of small mines was due to the rigid price restrictions imposed first by the Bituminous Coal Commission (which has been discontinued because of the expiration of statutory authority) and the present price ceilings imposed by the Office of Price Administration. A contributing factor is the complexity of reports formerly required by the Bituminous Coal Commission and now required by the Office of Price Administration.

These price ceilings, the committee is informed, are based upon the average cost of coal production through any given area. That average necessarily includes both high-cost and low-cost producing mines. Such a price ceiling is manifestly above the production cost of the lower cost mines and below the production cost of the higher cost mines. These mines were obviously high-production-cost mines. They could not operate under these ceilings and simply quit business.

Several representatives and groups of these small mine operators appeared before the committee and insisted they they could continue to operate their mines and produce coal if price ceilings were adjusted to meet their costs. They also insisted that even if the higher ceilings permitted them were above the average price at which coal was being sold, these small operators could still market their coal in the limited areas in which they distributed their output. Osage County, Kans., is a good illustration of this situation.

Osage County, Kans., has a number of small mines operating on a thin vein of bituminous coal of a quality highly desirable for domestic use. There are presently no railroad connected mines in Osage-County. The entire output is distributed by truck, or would be distributed by truck if they were operating, to nearby cities, such as Topeka, Ottawa, Lawrence, and Emporia. The coal readily commands a ready market at a price higher than the average of other bituminous coal selling in this territory. Most of the other coal shipped in goes to industrial purposes. Osage County coal is particularly suitable for household heating and cooking use and sells very readily for those purposes when it is available.

But the Osage County operators cannot operate under the average price ceiling determined by the average cost of producing coal.

About 70 percent of all coal produced in district 15 comes from strip mines. These are mines equipped with highly efficient but very costly large shovels operated by steam or electricity, which remove the earth above the coal. The initial investment is large but results in a low cost method of coal production which is much below the average cost of shaft mines or small truck mines. The effect of fixing an average price of coal influenced very substantially by strip mines costs simply puts the small truck operator out of business regardless of the quality of his coal.

The committee wants to acknowledge the very fine degree of cooperation had in the course of its work from the large coal interests in district 15. Their representatives have appeared before the committee several times, and always have stated the case with clarity and frankness. So far from trying to preserve a limited market in which they would have an advantage because of their low cost, they have very frankly urged that to meet this emergency these small mines which normally are their competitors, must be reopened. We quote now from the testimony of Mr. E. L. Douthat, a most well-informed and intelligent witness, representing the Southwestern Coal Operators Association composed of the principal operators in district 15. Beginning at page 3057 of the transcript of testimony taken at the conference at Kansas City on September 14, Mr. Douthat said:

> I should say that the possibilities for a prompt increase must lie in existing facilities; that is to say, scores, if not hundreds, of small mines that could be reopened without the necessity for the installation of new machinery composed of critical materials.
>
> Frankly, I have no set remedy or method as to just how that can be accomplished. Obviously, the operators of those small mines quit because they felt they could employ their time to better advantage in other activities.
>
> Now, undoubtedly an increase in the price of coal that such mines would be permitted to charge over and above present selling prices would have the effect of increasing the output of that type of mine. But I would hesitate to hazard a guess as to how much additional production that might result in or how generous the increase in price might have to be. * * *

Senator WHERRY. What percentage of that total does that group of 768 operators produce a year? Say you got them all back to work. Would that be sufficient to——

Mr. DOUTHAT. Oh, I think if it were possible to get them all back to work we would have solved the fuel shortage or the danger of a fuel shortage in this area. But I doubt if the manpower would be available to put them all back. * * *

Mr. Douthat further testified at pages 3114–3115 of the record:

Now, the possibility for prompt and effective increase in the production of coal in district 15 lies only in the revival of numerous small mines that have gone out of business or temporarily closed down. A more generous attitude by the Office of Price Administration in the treatment of their ceiling prices, in my judgment, will make possible a substantial increase in coal production from those sources, the extent of which I would hesitate to estimate other than to say that I believe it would be substantial.

Now, that about covers the coal situation.

Senator REED. By the same token, you think a liberal treatment of the ceiling prices regarding these small mines in this area might have the result of bringing about a fairly substantial operation?

Mr. DOUTHAT. I believe it would. * * *

The committee does not wish to be misunderstood. It is not proposed to raise the coal price ceiling in district 15 generally (unless such action develops later as necessary to meet the possible wage adjustment in this district, a matter with which this committee has nothing to do) what is proposed here is to give special consideration to these higher cost mines whose production is necessary and which can and will resume operation if the price ceiling under which they must sell is adjusted to meet their cost. Manifestly, the cost of producing any commodity must be met if such commodity is necessary in the public interest. Coal is an essential commodity. On all sides it is agreed that all reasonable steps be taken to increase the production of coal in district 15.

In order to meet this situation the Office of Price Administration and the Solid Fuels Administration must give due consideration to the truck mines in this district in order to get the more important ones open. The law affords the Office of Price Administration authority to establish flexible ceilings adjusted to individual situations where that is necessary. That authority should be exercised and promptly exercised. The valid complaint against the Office of Price Administration is the amount of time, delay, confusion, and red tape attached to adjustment of Government price ceilings on any commodity. Such delays and confusion have been the basis of much of the tremendous volume of criticism directed at the administration of the Office of Price Administration. So far as coal price ceilings are concerned this will be further dealt with in discussion of the situation in district 14.

It is understood that many of these smaller truck mines went out of business rather than try to meet the requirements of the Bituminous Coal Commission first, and the Office of Price Administration, secondly, in the matter of forms to be completed and the great volume of detailed information required. Many of these small operators had not kept their records and accounts in a shape to meet these requirements, and rather than take the chance of being prosecuted for some technical violation of the law (the Office of Price Administration repeatedly makes public statements threatening prosecutions of this character) they shut down and quit.

It is a condition, and a serious condition, not a theory, which confronts the Missouri-Kansas-Oklahoma-Nebraska territory, so far as fuel in general and coal in particular, is concerned.

To meet this situation the regional officials of the Office of Price Administration at Kansas City should have authority to make such adjustments as in their judgment, after investigation, are found necessary. If it is contemplated that all of these small operators must deal with the Washington office, this method of approach might as well be abandoned now. These operators, whose incomes are as low as a few hundred dollars, and the maximum of which would be only a few thousand dollars, cannot possibly meet the expense nor stand the delay of any such slow and expensive method of adjustment.

Time is of the essence in this matter. If relief is to be afforded through greater coal production from such of these smaller mines as can be reopened, prompt action must be taken. The regional officials must be clothed with authority to deal with these individual situations, and the small operators encouraged and allowed to deal with the regional office. The regional officials by their cooperation should make it as convenient as possible for these small operators to meet the Office of Price Administration requirements, so as to induce the reopening of the mines and the beginning of production at the very earliest possible date.

The committee is not unmindful that the supply of manpower may and doubtless would affect some of these smaller mines. Mr. Douthat, for the larger operators in district 15, testified that while the manpower supply was not overabundant, they had had no serious trouble. Mr. Eviston, for district 14, gave a different story for that district, which will be referred to later. Mr. Elliott, for the Osage County operators, testified in the April conference at Kansas City that shortage of manpower was one of their principal difficulties.

This situation is called to the attention of the regional office of the War Manpower Commission at Kansas City for the purpose of such relief as can reasonably and consistently be afforded.

DISTRICT 14

Coal district 14 is composed of the territory in Arkansas and Oklahoma immediately surrounding Fort Smith. It produces a smokeless low-volatile coal commonly known as Arkansas anthracite or semianthracite used almost entirely for heating purposes. Being smokeless, it is much to be desired for that purpose especially in larger cities.

According to the testimony before the committee, the maximum production in that district was 2,400,000 tons from April 1, 1942, to March 31, 1943. About 80 percent of this output is marketed north of the Oklahoma-Kansas-Arkansas-Missouri State lines. A considerable amount goes into St. Louis. The marketing of this coal covers pretty much the same territory to the north as coal mined in district 15.

Mr. Frank Eviston, a man experienced in the coal business, appeared at both the August and September 14 hearings at Kansas City. Mr. Eviston described the situation fully on August 5 (pp. 2901 to 2911), showing the decline of production due to the loss of manpower plus flood difficulties in April and May. Reduction in production from April 1 to August 31, 1943, was 446,435 tons as compared with the previous year. At this rate of decline the total loss of production in district 14 would exceed 1,000,000 tons during the current 12-month period.

Following Mr. Eviston's appearance before the committee at Kansas City on August 6, the operators of district 14 concluded to ask the Solid Fuels Administrator and the Office of Price Administration for relief through higher prices that would permit greater production than is presently in effect. About August 22 Mr. Eviston went to Washington representing the operators in district 14. He stayed about 2 weeks, in conference with the Office of Price Administration and the Solid Fuels Administrator, and returned home. We now quote Mr. Eviston's story beginning on page 3098 of the transcript of the record (September 14 conference):

We furnished the Office of Price Administration Mining Department with every measure of statistical data they could ask for. Solid Fuels assigned their chief statistician and their assistant chief statistician to us and the Office of Price Administration, to work up all the data they wanted. And they worked hard and they worked nights, the Solid Fuels people did, because they had the advantage of all the Bituminous Coal Divisions' statistical records of district 14. * * *

It went along there day after day. So after spending almost 2 weeks I came home. And a week ago last Monday, on Labor Day, I got a call, and they asked me to come back by the first train because the Office of Price Administration had to have more information as regards the marketing of coal and a lot of other damned things.

So I went back. And I got there on Wednesday and went to the Office of Price Administration at 2 o'clock in the afternoon and presumed we would go into a conference and discuss the matter. But, much to my amazement, they hadn't done a thing about it. They were still working up figures and complained bitterly about being so short of personnel. Well, I couldn't see any shortage of personnel. And I have seen a lot of public offices in my life, by the way, too. They told us to come back at 9 o'clock Thursday morning and they would have it by then. * * *

So we went to the Solid Fuels and Mine Management and went over to the Walker Building, conferred with them and asked for help. Then they wanted to know the over-all situation, the demand for the coal, and the shortage of coal in this district.

We went back to Office of Price Administration on Thursday morning, and they still didn't have the figures, and they couldn't make the analyses of the various mines. They told us to come back at 2 o'clock Thursday. That was the same day.

We went back at 2 o'clock, and after sitting around for a couple of hours, the same thing. They still couldn't have the analysis of the figures completed. So then they asked us to come back there Saturday morning at 9 o'clock and skip Friday, and they would work that night and Friday and have it completed Saturday morning at 9 o'clock. We told them that win, lose, or draw, we were definitely going home Saturday night if we could get a place to ride.

We went back Saturday morning, and nothing doing. They were still without the statistics. They couldn't reconcile the statistics we had and Solid Fuels had and their own statistics. We sat around there until about noon, and they asked us a lot of questions, questioned our veracity on many statements we made, and told us to come back at 2 o'clock.

We went back at 2 o'clock, and they said they had 30 mines analyzed out of about 85 mines in district 14, and they thought they would have some more in just a little while and to wait. And I told them that I had to leave that building at 4 o'clock to catch my train, and there wasn't going to be any Office of Price Administration or anybody else stop me.

So at 20 minutes after 3, I hunted up the chief of staff and told him we were going to leave and we wanted to talk. And he said they just couldn't get the figures to reconcile the statements and statistics. So he took us into the director's office, Mr. Johnson, a very lovely, amiable man; a doctor of economics, I believe it is. And he wouldn't know a piece of coal from a chunk of asphalt. But that's all right; he is a very lovely gentleman.

And he looked at the figures that they presented, and he says, "We can't give you any district-wide application of relief because you don't justify it. It's against our policy and our formula."

And I said, "You mean we have been hanging around here for 3 weeks and you have encouraged us to believe that we would get relief for that damnable situation and our mines are closing up and we are short a half million tons of coal now, and we are facing cold weather right around the corner and a fuel shortage?"

And he said, "We have got our policy and formula for making prices, and you can't qualify on any district-wide application. All we can say to you is that if an individual mine, under our formula for mines, can show injury, they can file a petition and we will be glad to consider it." * * *

Now, under their formula for the individual mine petition for relief they still cannot show cause for any appreciable relief that will cover the situation. (pp. 3103–3104).

Senator Reed. There's a place, Mr. Eviston, if I can break in, where the Office of Price Administration has assumed a responsibility and authority that never was given to it. I happened to vote on both price control acts. I am not a member of the committees that framed them, and I am not as intimately familiar as I would be if I were a member of that committee. But there was never any intention of giving the Office of Price Administration the power to determine and regulate profits or change business practices, and yet they insist upon assuming that and carrying it out. They have usurped. That's part of the complaint against the general policies of the Office of Price Administration.

Mr. Eviston. Mr. Blucher drew my attention before I went back to Washington to the law creating the Office of Price Administration. There is nothing in that law that would stop them from giving district 14 relief.

Senator Reed. Oh, no.

Mr. Eviston. On a proven, sensible, businesslike manner.

Senator Reed. We didn't set up the Office of Price Administration to regulate profits.

Mr. Eviston. But they say this is a policy. * * *

The coal supply situation in Missouri-Kansas-Oklahoma-Nebraska and other adjoining States is seriously affected by a reduction of production which is presently accruing at the annual rate of 1,000,000 tons. What has been said before regarding the increased production of coal necessary in district 15 to avoid a critical shortage of fuel in this area is predicated upon the deficiency in the supply of natural gas and fuel oil, and assumes the same rate of production of coal in district 14 that took place from April 1942 to March 1943, inclusive. We are faced with an indicated loss of 1,000,000 tons of production of desirable coal in district 14. The Solid Fuels Administrator and the Office of Price Administration should not hesitate to take such steps as are actually necessary to avoid this production loss which might well be a fuel catastrophe in this area.

The committee calls the attention of the Office of Price Administration and the Solid Fuels Administrator to district 14, and again emphasizes the necessity for regional authority and regional attention. District 14 asks the Office of Price Administration for a general increase of 50 cents a ton. This committee has no information on which to base a judgment as to whether this is too little or too much or just enough. This committee, however, was charged by the Senate of the United States with the responsibility of making an investigation of the fuel situation in the territory between the Mississippi River and the Rocky Mountains. The threatened fuel short age is most apparent in the territory we are now discussing, namely, Missouri, Kansas, Nebraska, and Oklahoma. This is not to say that other areas are not concerned.

In discharging its responsibility the committee is not only entitled to consider but is charged with the duty of calling attention of the various governmental agencies to the effect of, policies being followed in regard to this vital commodity—fuel. The committee must insist that the Office of Price Administration and the Solid Fuels Administrator give their immediate attention to the matters which have been developed on the record by undisputed testimony before the committee. While this testimony came, as it necessarily had to come, from interested parties, it is from men most experienced in the production of coal and other fuels. From no other source could information, dependable information, as to production possibilities be obtained.

The committee is concerned most with production, not with price. Production is essential. Price, at most, is only important. Production cannot be had in any commodity unless the price returns cost, plus some margin of profit, to the producer.

This is a principle to which we fear the Office of Price Administration does not give sufficient thought and weight.

Fuel Oil

At the early hearings held by the committee (January 1943) at Kansas City, perhaps the interest of many householders and some industries was as great or greater in fuel oil than any other class of fuel. It was testified that about one-third of the homes in Kansas City were heated with fuel oil. Cities in Nebraska also made large use of fuel oil for house heating purposes.

The concern of the citizens arose from—

First, an indicated shortage of fuel oil for heating purposes; and

Second, great confusion over orders of the Office of Price Administration, both as to rationing of fuel oil and the Office of Price Administration program for conversion of fuel oil burning facilities to the use of coal.

The testimony from citizens of Kansas City, on these points, was both vigorous and voluminous. Conflicting orders had been issued by regional or district offices of the Office of Price Administration at Dallas, Tex., and the Petroleum Administration for War, at Chicago, Ill. The confusion and lack of coordination by these agencies dealing with the same problem was just ground for severe criticism. Distributors and handlers of fuel oil complained that the regulations for delivery to consumers greatly increased their costs and required more labor; caused a loss of efficiency in use of trucks, and were almost impossible of conformity.

Some excuse can be offered for this situation because these agencies had been pitchforked into the handling of tremendous problems. The record before this committee clearly indicates that there was too much theory and too little practice; too many people with too little practical experience handling these matters.

This report is being made for the purpose of developing certain immediate situations of great importance. There is no purpose to be served here in discussing past mistakes. Such matters may be dealt with at such length as may be found desirable in our final report.

In the matter of fuel oil it may be said that the original program for conversion from fuel oil to coal has been greatly modified. In fact, there is no pressure at this time for such conversion. The supply of coal is perhaps as critical as the supply of fuel oil.

Hon. Ernest L. Hughes, director of marketing, district II, Petroleum Administration for War, Chicago, Ill., was in attendance at the hearings and conference of this committee in April, August, and September. The handling and distribution of the supply of fuel oil is under the direction of Mr. Hughes. He has been very cooperative and very helpful to the committee. We regard Mr. Hughes as an outstanding example of an efficient administrator. He has a long background of practical experience in the distribution and use of fuel oil and is the type of man from whom the best administrative results might fairly be expected.

At page 3068 of the September 14, record, Mr. Hughes said:

> I think our fuel oil situation is much better balanced. We are getting our consumers' tanks all filled; and we are taking all proper and reasonable measures to insure a proper flow of supplies.
>
> Last winter our program wasn't nearly as well worked out, no one knew as much about the situation as they do today, and I don't anticipate, frankly, as serious a problem out here on the residual oils as confronted us last year, if these various measures can be taken. If we can get this west Texas crude in we will very materially increase the supply of residuals for this particular market.

At page 3128 of the same record, Mr. Hughes further stated:

> I feel that we are going to be able to take our load if these things are done. And I share with Mr. Douthat the impression that we all will meet this situation. I believe we will, if we don't have some new problem of substantially increased demand over what's projected now.

The reference of Mr. Hughes to west Texas crude is the program to build an additional pipe line from Slaughter, Tex., to the Wichita-Oklahoma refining territory for the movement of crude oil from west Texas to the refineries of Kansas and Oklahoma. This pipe line, when completed, will be able to move something like 200,000 barrels of sour crude daily from the producing territory in west Texas to the refining territory described. This pipe line cannot be completed before next year. In the meantime, an effort will be made to move 75,000 barrels daily by tank car.

This is an important factor in this situation. The plans so far are not complete. The committee, at this time, is unable to state definitely what can and may be done in this regard. It will, however, continue to give this factor attention.

Gasoline

This report would not be complete without calling attention to the change in refining practices recently directed by the Petroleum Administration for War. Some months ago, refiners in the Missouri-Kansas-Oklahoma territory were directed to change their refining policy so as to reduce the amount of gasoline taken from crude oil and increase the amount of burning oils, both distillate and residual. A few weeks ago this order was modified and refiners in the Missouri-Kansas-Oklahoma territory were authorized to increase the amount of gasoline which, of course, would result in a decrease in the residual fuels. The committee has asked its sources of information for the actual effect this will have upon the volume of gasoline produced in this territory. The effect should be to increase the amount of gasoline, but to what extent remains to be determined.

There are several important factors concerning gasoline and fuel oils on which the information of the committee, at this time, is incomplete.

The committee will follow these matters through and hold additional hearings, if necessary, and if desirable make a further supplemental report at some proper time in the near future.

Petroleum and Petroleum Products

We are adverting to this subject because petroleum and petroleum products are an important part of the fuel required for the territory being discussed, as well as the products of petroleum being essential to the people of this area and the Nation as a whole. So much has been said upon this subject that our comment will be brief. Whatever anyone may say now is only a duplication of, and addition to, opinions and expressions so numerous as to make the subject familiar to everyone.

Petroleum products are essential to the civilian economy of the United States as well as the war effort. We shall here deal with the civilian side of the shield.

Modern farming, especially in the Great Plains area, cannot be carried on without motor fuel for the mechanized equipment. Distances traveled in the section of the country between the Mississippi River and the Rocky Mountains can be negotiated efficiently and economically only with motor vehicles. More perhaps than any other section of the country, the economy of this area is based upon the use of the products of petroleum.

There can be no products made available through refining processes without the crude petroleum being brought out of the earth. As has been so frequently pointed out, the supply of crude oil reserves is falling behind immediate consumption at an alarmingly increasing rate. This fact alone threatens the welfare of the entire country and challenges the attention and consideration of every thoughtful citizen. Actual production of crude petroleum is decreasing every year with the slight exception of a portion of west Texas, New Mexico, and some heavy oil fields in Wyoming-Montana. In these latter fields the price has been raised to encourage production. The price raise has had that effect. The above-ground stores of petroleum products are decreasing in this area as a whole.

In the Kansas-Oklahoma territory, prolific oil producer, and containing great refining capacity, the above-ground supply of gasoline has decreased more than 1,000,000 barrels in the last year. Much of this decline is, of course, due to shipment of refined products out of this territory to the eastern seaboard. The fact remains, that at the present rate of production and consumption, including shipment, there will be a serious shortage of gasoline in the Midwest territory in the not distant future.

Following the hearings and conferences recently held, this committee is checking into the available information on this subject and will continue to give it careful attention.

The seriousness of the whole petroleum and petroleum-products situation cannot be overstated. The production of crude oil must be increased or our whole economy must be readjusted so as to be able to operate on a decreased supply of these motor and heating fuels. At the present rate of decline in reserves as balanced against current consumption, the United States may reasonably expect to be out of petroleum fuels for power and heating for most purposes in the next 10 or 15 years. Of course, all of the reserves cannot possibly be exhausted in that period of time because they cannot possibly be taken out of the ground, but the supply will diminish from year to year and require such a tremendous readjustment in our entire civilian economy as to constitute a threat of the first magnitude to the welfare of the country.

Generally speaking, increased reserves cannot be found except by exploration. If there is one point upon which the testimony of the entire petroleum industry is convincing, so far as this committee is concerned, it is that the present price of crude oil is too low to encourage the exploration, more commonly called wildcatting necessary to maintain the present production, much less to increase our reserves and future production.

The committee is definitely of the opinion that every circumstance justifies an increase in the price of crude oil. The committee doubts whether the increase suggested by Petroleum Administrator for War Ickes of 35 cents a barrel is sufficient to bring the necessary added exploration. The committee is more disposed to the thought that in view of the continued increasing costs prevalent throughout the entire producing oil fields a minimum of 50 cents per barrel increase should be allowed. In fact, the committee believes that perhaps a 60-cent increase is necessary. This is included among the recommendations of the committee.

Stripper Oil Wells

Stripper oil wells present a special and peculiar problem that should be given special attention. There are many thousands of these wells throughout the United States. There are some fifty to sixty thousand of these wells in Kansas and Oklahoma. These are wells that are started with "flush" production, running from 50 barrels daily to several thousand barrels daily. They have been producing many years and their production has settled back to a few barrels a day, up to 50 to 100 barrels a day, depending upon location, depth, and circumstances.

These wells are in proven territory. No exploration or wildcatting is necessary to locate a large volume of production from these wells. With improved methods of recovery, the life of these wells can be prolonged and the production very substantially increased. The stripper-well over-all situation and its relation to the production of petroleum was stated by Mr. Charles L. Orr, secretary of the Interstate Oil Compact Commission, and who represented Governor Kerr of Oklahoma at the April conference in Kansas City. In his testimony, beginning on page 800 of the record, Mr. Orr offered the following information, which is on page 802:

> On January 1, 1943, 293,221 of the Nation's 407,257 producing oil wells, or 72 percent, were of the stripper class. While their average daily production was only 2.8 barrels, which was 14.7 percent of the national total, their yield last year equaled 54 days of the Nation's consumption and exceeded the estimated combined petroleum production of the Axis Nations and the Axis-occupied countries.
>
> These stripper wells are drawing the last remaining oil from 3,243,537 productive acres of land in 22 States under which there is an estimated recoverable reserve of 1,240,351,099 barrels. Additional reserves underlying this acreage recoverable by secondary recovery methods are estimated at 2,429,776,410 barrels, making a total of 3,670,127,509 barrels recoverable by primary and secondary methods. This is about 18 percent of our present estimated proven reserves.

> Located largely in areas of high consumption, these stripper wells are served with adequate pipe-line and transportation facilities. Except for necessary repairs and reconditioning, they use no critical materials. Their production is not speculative but certain. Once abandoned their production and recoverable reserves are forever lost.

Mr. Orr further said:

> Small independent operators with meager capital and credit cannot long operate these stripper wells at a loss. Increased costs of material, labor, and taxes, shortages of material and manpower without a compensatory price increase is already accelerating abandonments. During the last 8 years 72,405 stripper wells with estimated reserves amounting to 248,816,936 barrels were abandoned and plugged. Since Pearl Harbor more than 13,000 stripper wells have been abandoned and the plugging rate is increasing. Every day more than 30 of these wells, which are essential war plants, are shut down forever.

Aside from the importance of stripper well production as a part of the present insufficient petroleum supplies of the country, the Nation has a most important interest in a proper handling of these wells in future years. It is estimated that 1,240,351,099 barrels of petroleum will be recovered from these wells under the present methods of recovery. However, there is a recoverable reserve of 2,429,776,410 barrels through secondary recovery methods. In other words, three times as much oil can be recovered by using improved methods of recovery than will be recovered without the use of improved methods.

This fact is of tremendous importance to the country. Petroleum is an irreplaceable vital resource. It is unthinkable that through negligence or indifference or too much theorizing, 2,429,776,410 barrels of petroleum should be allowed to remain unrecovered, when all that is needed is the application of modern methods of recovery.

Vaguely and inadequately this stripper-well situation is referred to on page 4 of the press release of Office of Price Administrator Brown to Petroleum Administrator for War Ickes, dated Tuesday, May 4, 1943. This document referred to the refusal of Office of Price Administration to increase crude petroleum prices and the reasons therefor. It was most sketchy and incomplete as related to the stripper-well situation. It is difficult to conceive that the two agencies most responsible for policies dealing with this vitally important question should fail to appreciate the need for vigorous action and positive policies on their part.

There is support in competent petroleum economic authority for the belief that perhaps the quickest way to increase the current production of crude oil would be through adequate attention to the stripper-well problem. The committee does not state this as a final conclusion but does believe it is worthy of careful consideration.

The stripper-well question has been so extensively discussed that the committee does not feel the need for devoting more space and attention to it here. We urge upon the Petroleum Administration for War, and upon the Office of Price Administration, the urgent national interest involved in this question and the need for immediate and special consideration on their part.

General Discussion

This committee has worked diligently at the task assigned it by the Senate. In the opening of this report, we outlined the hearings held, the conferences had, and the character and volume of testimony taken. This committee feels it may fairly say that currently no other arm or representative of a legislative body has so nearly covered the entire subject of the production and distribution of fuels in an important producing and consuming territory as we have done. We have numerously contacted and conferred with and listened to testimony from producers and distributors of petroleum and its products, of coal, and of natural gas. We have found belief so universal as to be absolutely unanimous on the part of the distributors and producers that sound public policy demands that the production, distribution, and pricing of petroleum and its products be placed in the hands of one agency. Because of it being found in the same fields to such a large extent, and because its transportation is similar to that of petroleum and its products, we believe that authority over the production and distribution of natural gas should be carried on by the same agency that is responsible for similar functions for petroleum and its products.

Similarly, the testimony has indicated that the production, distribution, and pricing of coal should be assigned to a single agency.

These conclusions are forced by compelling facts and circumstances. Existing, division of authority has produced confusion, inefficient handling and lessened production of these essential commodities. Surely, administrative agencies must, by their experience up to the present time, realize the grave defects of the present policies and the need for better administration. Bureaus and their heads are notoriously unresponsive to demands from the public to correct glaring abuses which impose unnecessary annoyance and, many times, actual hardship on the public. People are not guinea pigs to be used for experimental purposes by theorists with visions of a perfect social order. This is a practical world in which we live and have our being and it is time that facts be observed and common sense be liberally used—a distinct change from what has been the case up to the present time.

Recommendations of the Committee

We recommend:

That the production, distribution, and pricing of petroleum and its products be centralized in the hands of a single agency.

That production and distribution of natural gas be placed under the authority of the agency handling similar functions for petroleum and its products.

That control of production, distribution, and pricing of coal be placed in a single agency.

That an increase in the price of crude oil of not less than the 35 cents increase suggested by Petroleum Administrator for War Ickes be made. Because of our doubt that this amount of increase at this time will be effective, we express the belief that the increase may well be 50 cents or 60 cents a barrel.

That special attention be given to the stripper-well problem with the view of continuing and increasing production from this class of wells. This is a special and peculiar problem requiring special attention on the part of responsible governmental authorities.

That the Office of Price Administration and the Solid Fuels Administration give immediate attention to the production and pricing of coal from so-called truck mines in district 15. We believe that the case for individual consideration of these mines is complete. Only through the reopening of some scores of these mines can the danger of a fuel shortage in the Missouri-Kansas-Nebraska-Oklahoma territory be averted. We urge and insist that the regional offices of these agencies at Kansas City, or elsewhere in this territory, be given authority to deal directly and expeditiously with the operators of these small mines. It is manifestly absurd, as well as impossible, to expect these small operators to stand the burden of expense and time necessary to handle each individual case with the central office of the Office of Price Administration in Washington. Plain common sense demands a decentralization of authority so as to permit the most prompt action to meet the emergency facing this section.

That prompt and intelligent attention be given by the Solid Fuels Administration, and by the Office of Price Administration to the situation in coal mining district 14, with the view of taking such action, including price adjustment and manpower, as may be necessary to avert the prospective decline of 1,000,000 tons of coal in this district in the 12-month period now running. This district, we understand, makes its estimates of production on a 12-month period, from April to March, inclusive.

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